

## Project Budgets

### *Hiding it helps no one*



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There's a little dance consultants do with clients. It's called the budget dance and is the result of misperceptions on both our parts. The client thinks the consultant is trying to get the most money he or she can for the least amount of work. Conversely, the consultant thinks the client is trying to get the most work possible for the least amount of money. So we dance around the budget with offers and counter offers. We call it "negotiation."

While there is a certain amount of truth in both these positions, you really don't want to hire a consultant that is solely focused on their fee any more than I want to work for a client who's out to gouge me. However, hiding your project budget is the quickest way to start the music for the dance. Let's look at why this is so.

### What message are you sending?

One of the first questions I ask at a pre-bid conference is, "Have you identified a budget for this project and will you share it with us?" I usually have to ask this because the request for proposal didn't include it. I use a slightly different approach with private sector clients but my goal

is the same: to identify the budget constraints on the project.

When you won't share your budget with me you're really sending me one of several messages:

1. **You haven't done your due diligence and don't have a clue what the project should cost.** Since you have no idea what the project is worth, how can you determine who is offering the best value? I suspect you're most likely going with the low bidder. I'll either strip out any additional value I might have offered in my proposal or, more likely, pass on your project.
2. **You haven't identified a funding source.** Most consultants have experienced the disappointment of submitting a proposal and making it to the oral interviews only to be told that the money is not yet available. If I even *think* the money is not there, I'll pass on your project.
3. **You're fishing for ideas.** This has happened to me several times. You want to do a project in-house but you need ideas. You issue an RFP and essentially pick the consultants' brains for ideas.

Do this to me and not only will I not bid on any of your future projects but I'll warn off any of my colleagues who are considering bidding on them.

4. **Your project is "wired."** You already know who you want to do the project but are too lazy or unable to issue a sole source contract. Making me guess your budget gives my competitor an advantage. This is decidedly unethical but it happens regularly. If I can prove you did it, I'll report you. If I can't, I just won't bid on your future projects.

### What's the problem?

Formulating a response to an RFP is a major commitment of effort for a consultant. On average, I spend anywhere from 24 to 40 hours on a proposal, depending on the size and complexity of the project. It doesn't help that each jurisdiction uses a different format and requires a different set of forms so you really can't recycle too much material. It also is irritating that many RFPs are modified engineering contracts that focus on time and hourly billings rather than value. Each proposal has to be crafted specifically for the project being considered. So we pick and choose our projects carefully.

"But wait," you say. "By keeping my budget confidential don't I encourage competition and ensure the best price?" Well, yes – if by "best" you mean "cheapest." The question reflects a certain lack of understanding about how consultants operate.

A good consultant can operate within most budgets to help you achieve the results you want. The size of the budget determines the methodology I use and the additional value I add to your project.

Let me give you an example. I prepared a proposal for a complete review and update of a client's emergency program. When I asked about budget, he said there no limitations. I provided several options in my proposal, each increasing in value and price. My lowest option was about five times more than the client wanted to spend. Once we identified his modest budget, I gave him a proposal to conduct a series of workshops to develop a strategy and train his staff. This produced the desired results using a more modest methodology.

### What are the advantages?

The biggest advantage of sharing your project budget is that it allows me to provide you with a better proposal. But sharing your project budget actually provides some other direct benefits to you as well:

1. **Comparison of proposals is easier.** If all the consultants are submitting proposals of roughly equal cost, you can compare proposals on the basis of value rather than cost. Since you have eliminated cost as a variable, it is a lot easier to see who is offering the best methodology.
2. **You eliminate the need to reissue your RFP.** My first proposal was valued at \$70,000. We later found that the client only had budgeted \$25,000. Apparently all the other proposals were similar in cost so the client had to cancel the RFP and reissue it at \$100,000.

The really funny thing about this is that your project budget really isn't secret – it's a matter of public record, particularly if you're using grant funds. So with all the benefits and no real downside, why are you aren't you sharing your budget? 